ARIZONA DEPARTMENT OF ADMINISTRATION

STRATEGIC PLAN

FISCAL YEARS 2011-2015

ADOA – Serving State Government with Leadership, Pride and Innovation

Janice K. Brewer
Governor

David Raber
Interim Director

ARIZONA DEPARTMENT OF ADMINISTRATION

The Arizona Department of Administration (ADOA) is comprised of the Director's Office and nine divisions: General Accounting Office, State Procurement Office, Risk Management, General Services, Human Resources, Benefit Services, Information Services, Management Services, Telecommunications Program Office and Capitol Police. These divisions provide a range of services to state agencies such as: accounting services; human resource services, including the administration of the state's health insurance program; telecommunication contract oversight and mainframe services; security for the Phoenix Capitol Mall and Tucson Office complex; management of the state's fleet; and the administration of the state's property and liability self-insurance program.

<u>VISION</u>

ADOA – Serving State government with Leadership, Pride and Innovation

<u>MISSION</u>

To provide effective and efficient support services to enable government agencies, state employees and the public to achieve their goals.

<u>Our Values</u>

Pride: We care about each other, encourage personal growth and recognize accomplishments.

Service: We strive to understand and anticipate our customer's needs and deliver services that exceed their expectations.

Quality: We provide exceptional value and vigorously pursue improvement.

Integrity: We accept personal responsibility and behave ethically.

Creativity: We contribute new ideas and solutions to address the operational needs of state government.

Teamwork: We achieve our greatest success by working together.

AGENCY GOALS

- To maintain the continuity of State government operations to ensure the safe and efficient delivery of government services

- To attract and retain a high-performance team of employees

- To aggressively pursue innovative solutions and/or opportunities

STRATEGIC ISSUES

- Attract, Retain and Educate Employees

- Information Technology Efficiencies

- Cost-Efficient and Effective Public Facilities

- Productivity, Cost-Effectiveness, and Customer Service

- Security and Safety

BUDGET

Funding and FTE Summary
(Thousands)

|	FY 10 Estimate	FY 11 Estimate
General	19,043.5	19,043.5
Other Appropriated	175,884.8	175,884.8
Other Non Appropriated	936,541.7	936,541.7
Federal	27.5	27.5
Program Total	1,131,497.5	1,131,497.5
FTE Positions	737.7	737.7

Includes ADOA and State boards appropriations

Strategic Issue #1
Attract and Retain the Best Employees

The services provided by the Arizona State Government may be more important now than ever before. There are state agencies that are devoted to health and welfare, and agencies that provide protection and safety. Agencies are devoted to transportation issues, education, natural resources, and inspection and regulation agencies. In all of these cases, the agency would not be able to function without human resources. In fact, with leaner staffing levels and tighter budgets, having the proper staffing levels and expertise is more critical today than ever. One of the key strategic issues therefore is the ability to attract and retain the highest caliber of employee possible.

The State faces significant challenges in this area, as do all employers. The worker of today expects meaningful work, they expect to be challenged, they want to see the "big picture" and to know where they fit in, they want to contribute, they demand feedback, and they crave on-going training and education. These are just some of the challenges facing the employer of today's job applicants.

Turnover Rates
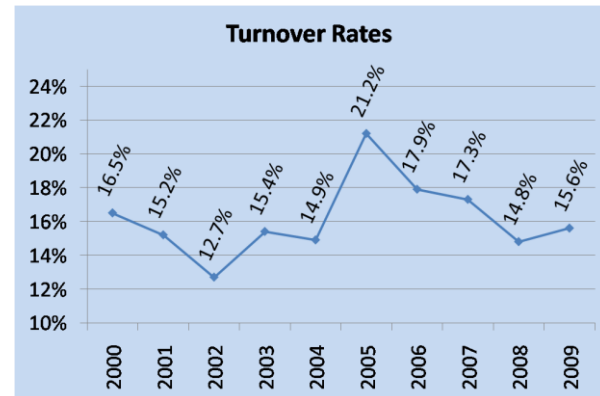
Source: 2009 State of Arizona Workforce Report. Separations are defined as covered employees leaving state service during the fiscal year (July 1 to June 30).

Percentage of Separations Due to Retirement
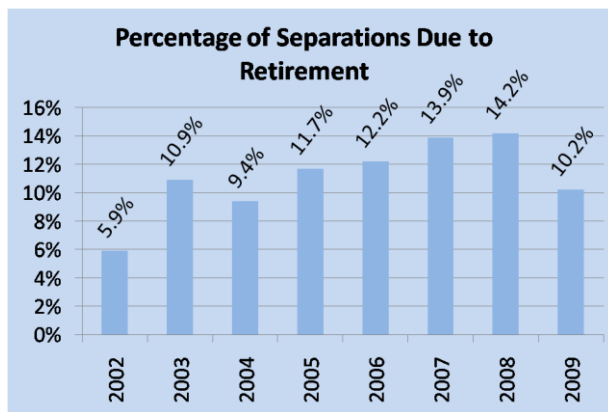
Source: 2009 State of Arizona Workforce Report.

One of the most critical issues facing the state is the ability to retain a skilled and effective workforce. This may be especially poignant with the well-documented trend of increasing retirements and the loss of institutional knowledge.

The projections for the future suggest this pattern is not likely to change. Half of the larger state agencies are expected to have over 25% of their active workforce eligible to retire in the next five years (2009 ADOA Human Resources System Annual Report).

The long term talent shortage for knowledge workers has been well documented. Combined with the aging of the workforce and the increasing numbers of retirements, organizations face a critical challenge to remain competitive in the labor market. The depressed economy at the national and state level has held turnover at bay, as employees tend to put their heads down and wait until the economy recovers. Experts predict, however, that as the economy improves, many companies will experience a tidal wave of resumes as the top talent in organizations are recruited by competing companies. Voluntary turnover is expected to significantly increase as the unemployment rate declines when economic conditions improve. Companies have the opportunity to be proactive and stem the tide of separations by continuing to maintain salary levels at competitive levels even during challenging economic times.

Strategic Issue 1 – Attract and Retain the Best Employees

Strategy #1 – Offer an attractive, competitive, and comprehensive benefits package.
- Maintain a robust and comprehensive suite of benefits.
- Offer self-insured medical plan to maximize the value of health benefits to control costs, establish a flexible plan design, and ensure performance monitoring and control.

Strategy Components:
- Establish appropriate reserves and controls to ensure fund stability and payment of all claims
- Monitor all contractors for both financial and quality performance measures
- Improve good customer service
- Create administrative decision processes as well as appeals and grievance procedures that are customer-friendly and easily accessed
- Assure statewide coverage and service for all benefits

Description:
The Benefit Options program converted from a fully-insured model to self-insured (for medical services only) model in 2004. Healthcare costs, complexity of delivery and resource limitations have an impact in all levels of decision making.

Assuring good coverage and overall affordability will attract recruits to state service. We seek to improve the management and delivery of services via better data, performance standards and improved monitoring of all contracts. We seek to improve the health of our members through wellness initiatives, plan design, performance contracting and data interpretation.

Key Message:

Benefit Options must balance resources against medical needs of members. Rising costs, government mandates and changing demographics drive Benefit Options plan designs and funding needs.

Resource Assumptions: (Thousands)

	FY 10	FY 11	FY 12	FY13	FY14
Medical/Dental - Claims/Premiums/Fees	804.5	875.1	952.2	1,030	1,110
Claim Reserves	70.9	77.4	84.5	92.2	98.4
FTE Positions	46	50	50	50	51

Performance Measures:

	FY 2010 Target	FY 2011 Target	FY 2012 Target	FY 2013 Target	FY2014 Target
Customer satisfaction with Benefits Services (annual ADOA Customer Survey)	6.5	6.5	6.5	6.5	6.5
Percentage of customers satisfied with the open enrollment process	98%	98%	98%	98%	98%

Strategy #2 – Improve compensation levels for state employees

Strategy Components:

- **Improve the State's market position**
  Continue the multi-year strategy and the goal to be within 95% of market .
    - ADOA will partner with the budget offices to determine a specific recommendation when more information about the State's fiscal situation becomes available.
  Continuation of Performance Pay

Description:

The state made significant progress towards improving the position of state employee salaries to the market during FY 2007, and affirmed commitment to address salary issues with the increases budgeted for FY2008. Although the state has made significant progress toward closing the gap, the market still exceeds the state by 9.5%. In order for the state to effectively recruit and retain the key talent that is necessary in what is expected to be an ever increasingly competitive job market, the state must continue making progress at bringing salaries closer to market levels.

Key Message:
The long term talent shortage hasn't gone away. Although the depressed economy at the national and state level has held turnover at bay, experts predict that as the economy improves, many companies will experience a tidal wave of resumes as the top talent in organizations are recruited by competing companies. Voluntary turnover is expected to significantly increase as the unemployment rate declines when economic conditions improve. Companies have the opportunity to be proactive and stem the tide of separations by continuing to maintain salary levels at competitive levels even during challenging economic times.
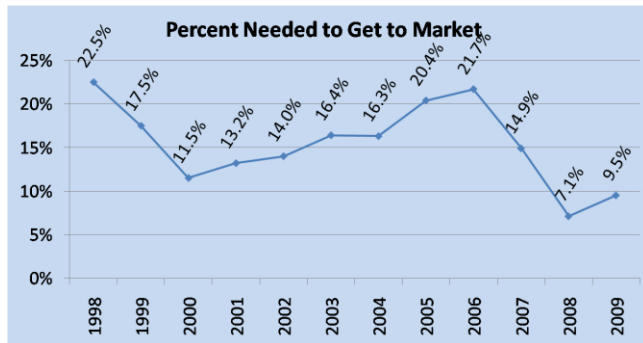
Source: Percent Needed to Get to Market is based on a suite of compensation surveys, including the Arizona Compensation Survey (previously referred to as the Joint Governmental Salary Survey). Average State Employee Salaries are based on covered employees in the ADOA Personnel System calculated as of the beginning of the fiscal year (July 1). Estimates for FY 2009 have been adjusted to account for performance pay.

Resource Assumptions: (Thousands)

	FY 11 Estimate	FY 12 Estimate	FY 13 Estimate	FY 14 Estimate	FY 15 Estimate
General Funds	TBD	TBD	TBD	TBD	TBD
Other Appropriated Funds	TBD	TBD	TBD	TBD	TBD
Other Non Appropriated Funds	TBD	TBD	TBD	TBD	TBD
Federal Funds	TBD	TBD	TBD	TBD	TBD
Total	TBD	TBD	TBD	TBD	TBD
FTE Positions					

Performance Measure:

	FY 2011 Target	FY 2012 Target	FY 2013 Target	FY 2014 Target	FY 2015 Target
Difference in average salaries between State employees and the labor market	5	5	5	5	5

Strategic Issue 1 – Attract and Retain the Best Employees

Strategy #3 – Enhance employee retention and development

Strategy Components:

- Provide online and computer-based training opportunities for current employees to expand their skills and comply with required training policies. Continuing education will also be provided in classroom formats when possible.

- Provide Career Center services to current and recently displaced employees to assist in career assessments, job searches, resume development and other skills to enhance job satisfaction and retain talented employees in state government.

Description:

Arizona state government turnover rate among covered employees is 15.6%. Research indicates that as the unemployment rate goes down, turnover will increase. The Human Resources Division is creating a new work unit specifically to focus on the issue of employee retention and development. This work unit will encompass continuing education and training and a Career Center.

Key Message:
In a tough economy, turnover isn't much of a problem, but as the economy recovers, companies will be recruiting qualified, talented workers. State government needs to be proactively address turnover by investing in training and education, and ensuring current employees are well matched to their work assignments and career choices.

Resource Assumptions:

	FY11 Estimated	FY12 Estimated	FY13 Estimated	FY14 Estimated	FY15 Estimated
General Funds					
Personnel Division Funds	$332,311	$332,311	$332,311	$332,311	$332,311
Capitated agency payments					
Variable agency payments					
Total	$332,311	$332,311	$332,311	$332,311	$332,311
FTE Positions	6	6	6	6	6

Performance Measures:

	FY11	FY12	FY13	FY14	FY15
Goal 1: Increase the efficiency of training in Arizona State government					
Turnover of covered employees	14.6	13.6	13.1	12.6	12.1
Average length of Service	9.8	9.9	10.0	10.1	10.2

Strategic Issue #2
Information Technology Efficiencies

Problem: Current movements in government envision benefits from the convergence of data, voice and video platforms as the most cost-effective means to technology efficiency. It is imperative that opportunities to collaborate on the delivery of technology support for business solutions and to provide outstanding service delivery be continuously explored and utilized whenever possible. The need for customer self-service to reduce the expense of government is imperative.

The state moved into the telecommunications privatization to improve services and create efficiencies from an enterprise perspective to maximize the state's potential buying power, enable higher levels of technology, and ensure that the most secure, efficient and effective technology systems are utilized statewide.

It is the belief of ADOA that segmented approaches to telecommunications and data technologies consist of unnecessary duplications, overlap and waste. ADOA is in the process of working with other state agencies to identify opportunities for cooperative collaboration and unique solutions. An example would be the ADOA Server Consolidation and Integration Facility Initiative (SCIFI). Most Agencies, Board and Commissions are co-locating their information technology equipment into the ADOA Data Center.

This successful consolidation has now increased to include Cities, Counties and Universities. This will save the State in cost avoidance to upgrade their location (staffing backup generators, security, etc.). It is critical that potential solutions be thoroughly researched and compared for opportunities within the enterprise, beyond the silo business need. This type of comprehensive infrastructure will provide the highest level of quality and cost effectiveness, allow maximum return on the State's valuable resources, and ensure effective and affordable state-of-art business solutions.

These strategies should also apply beyond the infrastructure to the core services facilitating the business of government. Therefore, adoption of standards and processes for delivering innovative services for business functions utilizing technology are being piloted. Additionally, defining services, initiatives, and applications in terms of their value to the enterprise (Government) will ensure maximum benefit potential for business functions utilizing technology are being piloted. Additionally, defining services, initiatives, and applications in terms of their value to the enterprise (Government) will ensure maximum benefit potential for all. An example of this is ADOA's undertaking with the Human Resources Information Solution (HRIS) project, a single, integrated system that is shared by all state agencies, branches, and departments of state government. HRIS implementation is a partnership of the State of Arizona, its agencies and employees with IBM, implementing Lawson software. These opportunities have been expanded with the adoption of a new recruitment and hiring portal, Hiring Gateway, facilitating the hiring process for agencies in an electronic forum. In another recent example, ADOA, through the Value in Procurement (VIP) program is providing all state agencies with an enterprise-wide purchasing system. A significant component to the infrastructure and services is securing these systems for the public trust. This will require adequate security mechanisms that can only be attained through adherence to security architecture standards established and controlled through a cooperative model. A pilot "Single ID" program is being implemented. Strategic efforts are underway to provide continuity of state government (COOP) in the event of a Pandemic or a Disaster.

Opportunity exists to effectively use common resources for agencies to build a Backup Recover Data Center farther away from the Capitol Mall where at least two primary data centers exist. This effort will be completed in FY10.

Strategic Issue 2 – Information Technology Efficiencies

Strategy #1 – Privatization of statewide Telephony and Wide Area Network (WAN)	**Description:**
Strategy Components: • Telephone systems • Data networks • Staffing	Laws 2003, Chapter 263, Section 101 required the Government Information Technology Agency (GITA), in consultation with the Arizona Department of Administration to prepare and submit to the JCCR an actionable request for proposals (RFP) to privatize the state's telecommunication services. This process was completed with an award to the Accenture Corporation. Implementation of the program began in January, 2005.

Key Message:

The benefits of privatizing:
- *Leverage the private sector to provide expertise in converged networks where the state can not retain staffing or resources.*
- *Leverage the private sector to provide up front capital investment for the state migrating towards converged networks.*
- *Leverage economies of scale in savings to the state as identified in the "Report to: Joint Legislative Budget Committee Arizona Telecommunications Services November 2002".*
- *Leverage new technologies to enhance productivity and efficiency in delivering government services to the citizens of Arizona.*

Resource Assumptions:

			(Thousands)		
	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate	FY 2015 Estimate
General Funds	$ 18,156	$ 18,222	TBD	TBD	TBD
Other Appropriated Funds	$ 19,258	$ 19,597	TBD	TBD	TBD
Other Non Appropriated Funds	$ 10,394	$ 10,760	TBD	TBD	TBD
Federal Funds					
Total	$ 47,809	$ 48,580	TBD	TBD	TBD
FTE Positions	N/A	N/A	N/A	N/A	N/A

Notes/Assumptions: This program does not include support for the university systems, local governments, or school districts. Services to these state agencies are provided through fees for service by the AZNet and will still require a Telecommunications Program Office. Current AZNet contract will expire in January 2012. Existing rates assumed for all of FY 2012. New contract will determine funding needs for FY 2013 and FY 2014. * Amount does not include all infrastructure needs required to address replacement of existing end-of-life and antiquated equipment.

Performance Measure:

	FY 2011 Target	FY 2012 Target	FY 2013 Target	FY 2014 Target	FY 2015 Target
Percentage of executive agencies utilizing common resources and services for telecommunications needs (weighted by total cost of ownership)	100%	100%	100%	100%	100%

<table>
<tr><td>

Strategy #2 – Provide common statewide infrastructure for multiple agency functions.
Strategy Components:
- Business Continuity Recovery, Storage services and redundancy
- Open-sourced platforms leveraging existing infrastructure
- Secure application services
- Services such as web hosting, database hosting, financial accounting (replace AFIS), and a procurement management system
- Remote Backup Data Center

</td><td>

Description:

In order for the Department of Administration to provide maximum efficiency and best value, ADOA must prepare for new and evolving technologies and expected services they make possible - primarily web based transactions, business partner data exchanges, growing complexity in security and business continuity requirements.

The costs associated with this new service offering will be recovered through fees to customer agencies.

</td></tr>
</table>

Key Message:
The proposed strategies will:
- *Allow the enterprise to maintain pace with the ongoing demands of the enterprise user and the customer base.*
- *Facilitate cross agency interoperability of application development and support.*
- *Enable the server consolidation into the ADOA Data Center for business and service integration activities and simple development growth of large agency customers.*
- *Enable Multi-Agency Remote Backup of Mainframe and Open Systems.*
- *Enable compliance with regulations such as the Federal Health Insurance Portability and Accountability Act (HIPAA).*
- *Implement a "state-owned" disaster recovery strategy and resources for use across the enterprise. Resource requirements to be determined at a later date.*

(Thousands)

	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate	FY 2015 Estimate
General Funds					
Other Appropriated Funds	$338*	$338*	$338*	$338*	$338*
Other Non Appropriated Funds					
Federal Funds					
Total	$338	$338	$338	$338	$338
FTE Positions	1	1	1	1	1

These estimates are only for expenses related to Business Continuity Recovery and related storage services.
*Includes one time software upgrade charges and hardware upgrades.
**Additional upgrades, that are not included in these figures, may be required. ADOA believes it is premature to include costs for these upgrades when customer agencies are considering changes in their infrastructure strategies.

Notes/Assumptions: Historically growth in customer services has required upgrades of the ADOA infrastructure annually. As more agencies focus on delivering e-government solutions, ADOA anticipates these needs to rise and a common set of services to overall be more efficient and effective.

Performance Measure:

	FY 2011 Target	FY 2012 Target	FY 2013 Target	FY 2014 Target	FY 2015 Target
Number of agencies utilizing business continuity service offerings *	40	60	70	70	80
Number agencies utilizing open platform offerings **	25	35	55	55	60
Number agencies utilizing secure application services ***	60	70	80	80	85

* Performance dependent upon establishment of infrastructure to support mainframe disaster recovery and growth into server farm backup and recovery
** Performance dependent upon adoption of target open source platforms in enterprise architecture and migration of agencies to web based transactions on portal
*** Performance dependent upon adoption of common business standards by agencies to comply with digital security regulations such as the Health Insurance Privacy and Accountability Act (HIPAA)

Problem: Deteriorating Key Infrastructure

The ADOA Building System has an inventory of 3,282 structures with an estimated current replacement value of $2.8 billion. The structures in the Building System are in poor condition due to a chronic lack of funding for routine and capital maintenance. As a direct result of funding shortfalls, the Building System has amassed an astounding $318 million (M) of deferred (backlogged) capital maintenance. ADOA is facing the long-term consequences of neglecting the maintenance of its facilities. Over 20 years' accrued deferred maintenance has caused ADOA to routinely practice "crisis mode" maintenance and repair operations, causing highly disproportionate and expensive utility, repair, maintenance, and replacement costs. Major equipment breakdowns, system failures, and physical plant shutdowns are becoming increasingly common.

The Building System is dependent upon appropriations of limited General Fund (GF) and Capital Outlay Stabilization Fund (COSF) monies to annually fund its building renewal needs. In the last 20 years, ADOA building renewal has been fully funded only twice. Over the last 10 years, ADOA was appropriated a total of just $40 M, although the building renewal formula called for $232.5 M. Since FY 2001, 92% ($39.3 M) of building renewal appropriations were funded exclusively from COSF.

COSF is in a state of crisis. Incredibly, the COSF revenue-generating structures represent just 7.3% of the Building System's approximate 18.4 million gross square feet and only 1.3% of the Building System's total structures. Of the approximate 2.7 M rentable square feet space ADOA is tasked with supporting, only 44% (36 buildings) generate the funding; 56% of the structures ADOA supports do not contribute to COSF in rents or operating costs. COSF rent from only 36 buildings cannot support building renewal for more than 3,200 buildings.

ADOA recognizes the current budget shortfall, but recommends working toward 100% funding of the building renewal need for the Building System. Full funding of the formula is necessary to slow the rate of deterioration of critical assets. When funding becomes available, ADOA recommends that the building renewal appropriations also include *an additional $30 M per year* dedicated to a multi-year plan to mitigate the detrimental effects of the Building System's approximate $318.0 M of deferred maintenance.

The ADOA FY 2010 Capital Improvement Plan submitted in October 2007 made recommendations to enhance COSF resources and spread costs more equitably across the Building System. If adopted, the following changes would facilitate a self-sufficient funding mechanism for operating and maintaining structures managed by ADOA, including lease-purchase facilities and legislative buildings:

➢ Charge a COSF rental rate for State-owned office space of 90% of the private sector market for Class B commercial space at $23.50 for FY 2010 and $24.20 for FY 2011.
➢ Charge a COSF rental rate for State-owned storage space of 90% of the private sector market for storage space at $8.30 for FY 2010 and $8.60 for FY 2011.
➢ Charge COSF rent equitably for all buildings that ADOA maintains.
➢ Charge ADOA-managed lease-purchase facilities their associated operations and maintenance and building renewal charges for deposit to COSF.
➢ Calculate COSF rent charges based on "rentable square feet," which is the industry standard, in lieu of the current methodology of rent based on "usable square feet."
➢ Calculate COSF rent charges based on space measured in "rentable square feet," which is the industry standard, in lieu of the current methodology of rent based on "usable square feet."

Strategic Issue 3 – Cost Efficient & Effective Public Facilities

Strategy #1 – Fully fund annual Building Renewal Formula, plus additional $30 M annually for deferred maintenance.

Strategy Components:

➢ Enhance COSF resources to encourage "self-support" of building renewal formula.

➢ Implement a consistent and justifiable methodology for measurement of office and storage space.

➢ Mitigate the risks of deteriorating and poorly performing facilities.

➢ Assign a value to the highly disproportionate and expensive utility, repair, maintenance, and replacement expenditures.

➢ Identify and prioritize projects by life and health safety, mission critical status, and increased operational efficiency and value.

➢ Maintain processes to efficiently manage building renewal projects.

Description:

The structures in the ADOA Building System are in poor condition due to a chronic lack of funding for basic routine and capital maintenance.

The statutory Building Renewal Formula calculates the required funding for major maintenance of buildings in the ADOA Building System in order to preserve and extend their useful lives. The maintenance costs for these facilities increase annually as the buildings age; likewise, the operating costs increase as deferred maintenance continues to accrue. Expensive emergency spending is increasing annually.

Major building systems have reached the end of their useful lives and are not operating at their optimal or intended efficiencies, wasting precious dollars. Major equipment breakdowns, system failures, and physical plant shutdowns are becoming increasingly more common. Insufficient funding is limiting building renewal projects to emergency replacement of failed system components rather than to planned system replacements.

Key Message: The on-going trend of significantly underfunding building renewal and the consequences of postponed major maintenance requirements have created highly disproportionate and expensive utility, repair, maintenance, and replacement expenditures in deteriorating, poorly performing facilities.

COSF is in a state of crisis. Recommendations to enhance COSF resources, including increased rates and measurement of space, would facilitate a self-sufficient funding mechanism for operating and maintaining structures managed by ADOA, including lease-purchase facilities and legislative buildings.

ADOA recommends working toward 100% funding of the building renewal need for its building system to slow the rate of deterioration of the State's critical assets. Full funding of the formula is necessary to sustain the current condition of the Building System and slow the rate of deterioration of critical assets. ADOA recommends that when funding is available the building renewal appropriations also include *an additional $30 million* per year dedicated to a multi-year plan to mitigate and rectify the detrimental effects of the Building System's approximate $279 million of deferred maintenance. ADOA will continue to use its appropriated building renewal monies to facilitate planned and emergency repairs and renovations to major building components that extend the useful lives of building assets, including, but not limited to, the abatement of environmental hazards, health and safety rectification, and the repair or replacement of supporting infrastructure.

Resource Assumptions:

Resource Assumptions (1):	FY 11	FY 12	FY 13	FY 14	FY 15
General Funds					
Other Appropriated Funds (2) (4)	$66,361,602	$69,997,762	$73,997,539	$78,397,293	$83,237,022
Other Non Appropriated Funds					
Federal Funds					
Total	$66,361,602	$69,997,762	$73,997,539	$78,397,293	$83,237,022

Performance Measures:	FY 11	FY 12	FY 13	FY 14	FY 15
Percent of ADOA managed buildings charged rent based on industry standard measurements	100%	100%	100%	100%	100%
Cumulative deferred maintenance (3) (4)	$354,425,386	$394,593,081	$438,880,546	$487,699,757	$541,503,890
Percent of GF COSF building renewal formula funded (3)	2.8%	2.5%	2.3%	2.1%	1.9%

Assumptions:

(1) Resource Assumptions reflect full funding of the GF/COSF Building Renewal Formula plus an annual $30 M "catch-up" funding for deferred maintenance

(2) Excludes dedicated Funds Source Agencies: Game & Fish, Lottery Commission, and Coliseum & Fairgrounds

(3) Figures assume continuation of FY 2010 $1 M appropriation for Building Renewal through FY 2015

(4) FY 2011 - 2015 annual Building Renewal Formula and cumulative deferred maintenance amounts are inflated by 10% in subsequent years

Strategic Issue # 4
Maximizing Productivity, Cost Effectiveness and Customer Satisfaction

Problem: The mission of the Arizona Department of Administration (ADOA) is to provide effective and efficient support services to state agencies, state employees, and the public, enabling them to achieve their goals. Further, ADOA is committed to providing services that are valued by its customers, while meeting or exceeding its customers' needs. In 2007 ADOA assessed the satisfaction rating of 70 distinct services that are offered to a customer base that includes approximately 9,000 retirees and over 62,000 active state employees from over 100 state agencies, boards and commissions and 3 state universities. The available services include statewide financial services, facilities management, human resources management, information services, fleet management, administrative management services, and police services for the capitol mall in Phoenix and the state mall complex in Tucson. The value of each service provided by ADOA should meet or exceed the value of a comparable service from any other source. Because this issue is of strategic importance to the mission of ADOA, and of critical importance to state government overall, it is essential for ADOA to maximize the productivity and cost effectiveness of its services while achieving the highest possible level of customer satisfaction.
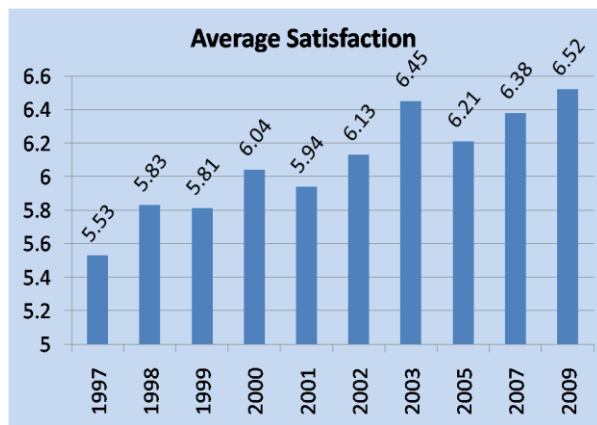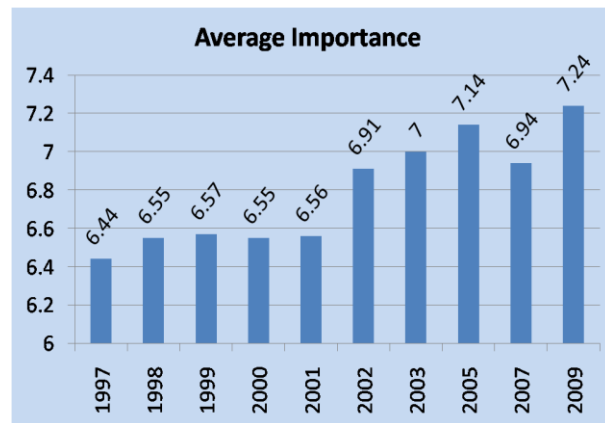
As the state considers the issues of a pandemic and other disasters that could impact the operations of state government, it becomes necessary to consider alternative business strategies while continuing necessary functions:

> Ways are needed to minimize citizens needing to come to a state office.
> Ways are needed to minimize employees needing to come to their office location.
> Ways are needed to reroute business activities when employees are unable to work.

These requirements lead to a need to alter state business activities: A need to enable more and more state employees to be able to work from home or other remote location. This requires infrastructure for telework, digital imaging of documents and an electronic document management capability. It is now possible for a citizen who has moved to update their driver's license and voter registration online. Many other citizen and business services can be done online but there are many more to be online enabled. ADOA can assist other agencies, boards and commission in doing this. These activities not only help prepare the state for a pandemic but can also improve productivity, customer satisfaction and reduce costs.
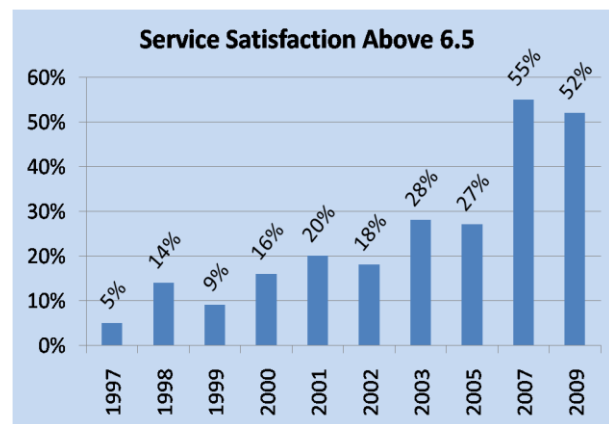
Average Importance

Importance – In the external survey, customers were asked to consider all of the services ADOA provides and to give an overall rating. In 2009, customers rated the importance of ADOA services an average of 7.24, which, is the highest score ever received in the history of this survey.

Average Importance values (1997–2009): 6.44, 6.55, 6.57, 6.55, 6.56, 6.91, 7, 7.14, 6.94, 7.24

Average Satisfaction

Average Satisfaction values (1997–2009): 5.53, 5.83, 5.81, 6.04, 5.94, 6.13, 6.45, 6.21, 6.38, 6.52

Satisfaction - Customers also provided an overall rating of satisfaction for the agency. The average rating in 2009 was 6.52 out of a possible 8.0. This was also the highest score ever received in the history of this survey.

Other 2009 Agency-level Indicators

- 40 of 61 services (66%) increased their level of satisfaction from their average satisfaction over the past 4 years
- 21 services (34%) experienced a decrease in satisfaction compared to their average over the past 4 years
- 33 services (52%) received satisfactory ratings over 6.5 (down slightly from 55% on the last survey)
- 52 services (83%) received satisfactory ratings over 6.0 (down slightly from 85% on the last survey)
- 2 services (3%) received unsatisfactory ratings (less than 5.0)
- Of those services that had satisfaction scores less than 6.5 last year, 15 (58%) showed an increase in satisfaction (down from 83% on the last survey)

Service Satisfaction Above 6.5

Service Satisfaction Above 6.5 values (1997–2009): 5%, 14%, 9%, 16%, 20%, 18%, 28%, 27%, 55%, 52%

Strategy #1 – Non-Financial Impact

Strategy Components:
- Use the analysis of performance data to identify opportunities for improvement in under-performing programs and/or services.
- Prioritize the identified opportunities for improvement based on the importance of the service(s) to the customer base.
- Improve the customer satisfaction of under-performing services through a make or break evaluation which includes an examination of unit shortfalls/problems and a plan to
1) Improve the service, 2) pursue outsourcing opportunities and/or 3) eliminate the service.

Strategy #2 – HRIS

HRIS is engaged in a significant upgrade, HRIS 2.0, which will provide a more integrated and standardized software suite and will facilitate increased offerings to customers. Specific future components are identified and prioritized in a collaborative manner with customer agencies.

HRIS 2.0 will provide:

- Improved Business Process automation
- Enhanced Employee Self Service and Manager Self Service capabilities
- Enhanced Reporting, including Data Warehouse
- Significant infrastructure improvements, including improved ability to apply industry updates and a more robust security model
- A foundation for providing new capabilities such as Employee Time Entry, and Performance Management

Description:

HRIS is an integrated human resource, benefits and payroll system for the State of Arizona.

HRIS replaced a 30-year old mainframe system in December of 2003 with a flexible, scalable and supportable hardware and software solution that builds the foundation for e-government.

Resource Assumptions:

	(Thousands)				
	FY 11	FY 12	FY 13	FY 14	FY 15
General Fund					
Other Appropriated Funds	$9,200	$10,000	$9,500	$5,200	$5,500
Other Non Appropriated Funds					
Federal Funds					
Total *	$9,200	$10,000	$9,500	$5,200	$5,500
FTE Positions	21	21	21	21	21

Strategic Issue 4 – Maximizing Productivity, Cost Effectiveness & Customer Satisfaction

Strategy #3 – Financial Impact – Arizona Financial Information System

Strategy Components:

The data warehouse would be developed for use with the current state systems (such as AFIS.) Implementing the data warehouse will allow the State to bridge to the new systems technology without creating problems with the current outdated technology that AFIS is built upon. It will also allow for the eventual consolidation of financial information for the State, and will provide the end users and analysts with easy access to measurable results and complex data analysis.

Although the implementation of the data warehouse will somewhat resolve the AFIS reporting problems, it will not resolve the underlying issue of using an aging system. AFIS is built on an outdated technology that limits our ability in getting into the e-commerce era to take advantage of what web-based systems can offer. The use of Electronic Data Interchange (EDI) remains very limited and manual processes cannot be easily automated. Additionally, AFIS provides limited or inadequate management information. This is true with other financial systems used by the State agencies. The preferred alternative is to replace AFIS along with other State agencies' systems with an integrated financial system that is built on the modern technology with imbedded efficiencies. As part of the implementation of the new system, many processes can be evaluated and re-engineered to improve efficiency and increase automation while enhancing the availability of information. Also, the implementation of the new system can consolidate many financial systems into one uniform system. For the first time in decades, all financial data can reside in one place. By implementing a statewide integrated financial system, the statewide information can be readily available for review and/or analysis.

Here are the proposed phases of the project:

Phase I - FY 2009 – Prepare project plan, evaluate 'AS-IS' processes, develop process re-engineering and prepare RFP

Phase II - FY 2009 & 2010 – Review and evaluate proposals, select vendor and conduct process improvement (re-engineering)

Phase –III - FY 2010-2011 – Develop comprehensive project plan, assemble project team and conduct software training

Phase IV - FY2011-2014 – Implement the system in multiple sub phases, train users, convert the old data, go live with the first sub-phase on July 1, 2013.

Description:

AFIS is Arizona's statewide financial information system. Although it is adequate to perform basic accounting functions in state government, this system is notably deficient in its ability to extract information which is needed by agency management to perform various budgetary and financial analyses. AFIS does not provide some key functionalities such as: Purchasing, Grant reporting, Project billing, cost accounting, budget preparation, cash management (Treasury functions), accounts receivable, insurance claim processing, and e-commerce.

The AFIS system's weaknesses require that the department begin the process of replacement while simultaneously increasing the immediate usefulness of AFIS. Because the implementation of an AFIS replacement requires extensive planning and coordination with all State of Arizona entities, it is anticipated that such an implementation will take at minimum of 5 years.

Key Message:

Expansion of the data warehouse will address one of the fundamental problems (lack of additional and effective reporting) in AFIS. Lack of sufficient reporting capabilities and lack of consistent information within the AFIS system are the major contributors to this problem. In addition, this will address some immediate needs by providing the budget offices and agency management significant expanded capability, such as "what if" analyses. The results of these analyses would likely lead to substantial cost savings.

The department also recognizes that in the long-term, the AFIS system will have to be replaced. The measures cited above will enable the department to continue maximizing productivity in a cost effective manner that provides for a high level of customer satisfaction while embarking on the monumental task of replacing AFIS.

Resource Assumptions:

		FY 11	FY 12	FY 13	FY 14	FY 15
		(Thousands)				
General Fund						
Other Appropriated Funds						
Other Non Appropriated Funds						
Federal Funds						
Total *		$17,000.0	$24,000.0	$30,000.0	$30,500.0	$30,500.0
FTE Positions		0	0	0	0	0

* Fund Sourcing may fluctuate over time.

Performance Measure:

	FY 2011 Target	FY 2012 Target	FY 2013 Target	FY 2014 Target	FY 2015 Target
Customer Satisfaction rating of Reporting and Availability of AFIS information	N/A	6.0	6.5	6.5	6.5
Percentage of agencies utilizing purchasing system or interfacing to AFIS with normalized purchasing information (weighted by spending authority)	60	80	90	90	90

* We will have to establish benchmarks for the new integrated financial system when it is implemented, these benchmarks will then form the basis for performance measures.

Strategy #4 – Financial Impact – 9-1-1 Program **Strategy Components:** Implement through local community coordinators the 9-1-1 program to include wireless: • Continue deployment of Phase II wireless implementation. • Continue deployment of Wireline Enhanced 9-1-1. • Review and approve budgets for 9-1-1 network, equipment, maintenance, addressing programs and development of 9-1-1 specific GIS data. • Work toward deployment of Next Generation (NG) 9-1-1 transitioning the existing analog network to digital network.	**Description:** The 9-1-1 program is charged with providing guidance and direction and acting as a liaison to ensure when a citizen dials 9-1-1, the call goes to the right 9-1-1 Center the first time. Funding oversight is done on a statewide basis. Monies in FY 2008 are necessary to meet the operational requirements of more than 100, 9-1-1 centers statewide and to continue Wireless Phase I and Phase II deployment.

Resource Assumptions:

(Thousands)

	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate	FY 2015 Estimate
General Funds					
Other Appropriated Funds					
Other Non Appropriated Funds	35,074	26,783	28,657	30,662	31,275
Federal Funds					
Total *	35,074	26,783	28,657	30,662	31,275
FTE Positions	5.5	5.5	5.5	5.5	5.5

*Currently soliciting data from communities on their requirements for FY 2008 through FY 2015

Strategy #5 – Value in Procurement (VIP)

SPO achieved the goal for Value in Procurement in October, 2007 with estimated savings over $136.4M with its strategic sourcing initiative. SPO continues to monitor and administer the statewide strategic contracts to ensure continued improvement and increased value for the State and its political subdivisions. SPO further continues its strategic practices on all new contracts.

Strategic Issue #5
Safety and Security

Problem: The safety and security of the state's personnel, workplace and information systems are essential to maintaining the day-to-day activities of state government. There are three critical areas of safety and security that need to be addressed: Capitol Police, Physical Security and Information Technology Infrastructure Security.

Capitol Police: The Arizona State Capitol Police provides security and police services to state agencies, elected officials, employees and visitors at the Arizona State Capitol Mall in Phoenix and the Tucson Regional Facility. The members of the Capitol Police are the lowest paid law enforcement employees in the Phoenix Metropolitan area. Their salaries are 35%-50% less than employees from other agencies are yet they are responsible for protecting and serving the most important government center in the state. Capitol Police officers are required to attend the same Academy, have the same training and maintain the identical certification through Arizona Peace Officer's Standards and Training Board (AZPOST) as other police officers. They work side by side on a daily basis with these officers, doing the same job and taking the same risks yet their compensation is inexplicitly out of balance. Over a two-year period, beginning in calendar year 2006, the Capitol Police experienced a 46% turn over rate in Police Officers; and a 100% turn over rate in Dispatchers. The primary reason given by employees leaving the Capitol Police for other law enforcement agencies was inadequate pay. In 2008, the Capitol Police lost an additional three Police Officers and three Dispatchers. Currently, there are several employees waiting to hear from other police agencies about pending appointments. Egregiously low salary is the main reason that employees are seeking employment with other agencies.

Market Average At Top Out Pay			
2009 Survey	Market Average	Capitol Police Average	Vs. Market
Dispatcher II	$53,183	$29,902	-44%
Dispatch Supervisor	$66,821	$39,158	-41%
Officer I	$73,759	$36,772	-50%
Officer II	$76,982	$40,638	-47%
Sergeant	$86,319	$45,212	-48%
Lieutenant	$105,444	$54,188	-49%
Commander	$119,883	$76,867	-36%

In addition, it is extremely costly to hire and train replacement police employees and it takes a year or more for these employees to be functionally effective in their jobs. The Capitol Police will be unable to sustain its current level of quality service if this salary disparity problem is not addressed immediately. Salary disparity has been the main budget issue presented for the last several years without success.

In order to address the growing concerns regarding crime and security within the Capitol Mall, the Capitol Police maintain Patrol Squads that provide police/security services 24 hours per day/ 7 days per week. The Patrol Squads on the 2nd and 3rd shifts are often understaffed and operating at or below minimum staffing levels. The Capitol Mall is surrounded by areas with high crime rates including the State's largest homeless shelter where clients, associates and individuals who congregate in the area, often wander into the Capitol Mall to commit crimes, use drugs, and victimize citizens. Because of the critical need for heightened security necessary and appropriate to protect elected officials, state employees and visitors as well as State assets and property, it is essential that these Patrol Squads are staffed at a level that will provide adequate and proactive coverage. In order to address the concerns of effective crime prevention, crime deterrence, law enforcement and security services, the Capitol Police is seeking full funding for 3 additional officers, 2 police assistants and a dispatcher specifically for the 2nd and 3rd shifts.

If the additional staffing is not funded, the safety and security of the Capitol Mall could be compromised. The following issues of negative impact should also be considered:

- Inadequate coverage decreases officer presence and pro-active patrols leading to the probability of higher crime rates.
- Potential liability for the State if a visitor, employee, elected official or police officer is victimized or injured.
- Safety concerns for everyone at the Capitol Mall.
- Officer safety issues with low staffing and the possibility of low morale.
- Difficulty in providing many basic police services and meeting the expectations of the customer.
- The accumulation of excessive leave balances.
- Central Arizona Shelter Services (CASS), 232 South 12th Avenue, is where all paroled or released felons with no homes are sent upon release from prison. The Capitol Police have apprehended numerous violent felons on parole violation warrants in Wesley Bolin Park and the Capitol Mall in the last two years. At our current staffing levels, the safety of employees and visitors to the Capitol Mall is at risk.
- There are numerous registered sex offenders within the 85007 (Capitol Mall Area) zip code.
- The Capitol Mall is one block from one of the highest areas of illegal drug activity in the State of Arizona. The problem has been so significant the Phoenix Police Department has in the past placed barricades on Madison, Harrison, and Jackson Streets in the evening hours in an effort to limit the sale of street level drugs to suspect vehicles.
- Capitol Mall is a high profile government center that should be considered a prime domestic and foreign terrorist target. In addition, numerous hearings, meetings and other official government activities create a higher level of vulnerability to potential acts of workplace violence.
- The Capitol Mall borders three (3) of the highest crime grids tracked out of 1,700 by the City of Phoenix.
- Current staffing has reduced overall police enforcement and the Capitol Police Division's ability to deploy in response to a large-scale incident.

Physical Security: The General Services Division (GSD) of ADOA is responsible for the physical security of the buildings on the Capitol Mall, at the State Office Complex in Tucson, and at satellite locations, as well as the badge function. In 2009, GSD completed installation of a new physical security system for these buildings, which included replacing servers, software and card readers, and adding panic buttons and additional card readers. In addition to upgrading the electronic badging system, GSD continues to install new exterior locks for buildings to replace the old, outdated locksets as time permits, or as the old locks fail.   GSD, Risk Management, and the Capitol Police coordinate to evaluate and maintain security, health and safety issues in the ADOA Building System.

Information Technology Infrastructure Security: The existence of ongoing network security vulnerabilities can present an increasing risk of legal liability regarding due diligence, privacy, theft, loss or destruction of information.   Failure to secure digital records and communications puts citizens and the state's partners and customers at risk. Risk comes in many forms, including: disclosure of personal identifiable information, physical harm to individuals, financial loss, reputation harm and lost productivity.

Strategic Issue #5 – Safety and Security

Strategy # 1 – Information Technology and Digital Business Practices

Strategy Components:
- Establish Information Technology and Digital Business security protections to support agencies in securing the communication of their information
- Establish security practices so that ADOA business units and other agencies are able to create, manage and distribute their digital business records and communications with confidence in:
  o Their integrity,
  o The safe guarding of confidential information contained in them, and
  o Their reliable, usable retention as required as public records.

Description:

We must be able to detect, deter, assess, warn of, respond to and investigate unlawful acts involving communication and information technologies. The existence of ongoing network security vulnerabilities can present an increasing risk of legal liability regarding due diligence, privacy, theft, loss or destruction of information.

Failure to secure digital records and communications puts citizens and the state's partners and customers at risk. Risk comes in many forms, including: disclosure of personal identifiable information, physical harm to individuals, financial loss, reputation harm and lost productivity.

Securing digital records and communications requires an ongoing evaluation of risks and mitigation strategies as digital technologies change and the state's infrastructure and digital business practices evolve.

Key Message:
Providing enterprise business technology security services will enable agencies to layer agency security upon this core protection. This will improve and increase security overall across the State enterprise, while also lowering the total cost to the State by eliminating redundancy in implementing this layered security approach and best business practices:
FY10/11- *Continue to apply enterprise wide security practices and procedures and develop distributed authority and security administration to the individual state agencies. Enhance secure transports, operational environments and business continuity efforts for rapid restoring in coordination across the enterprise and agencies. Implement statewide authentication and authorization services to support web based transactions.*

Resource Assumptions: ADOA is meeting with the Government Information Technology Agency, the Department of Emergency and Military Affairs, the Arizona Office of Homeland Security and the state agencies to design the appropriate infrastructure, identify staff and equipment needs, and determine how to best implement into the overall state system.

(Thousands)

	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate	FY 2015 Estimate
General Funds					
Other Appropriated Funds	338	338	338	338	338
Other Non Appropriated Funds					
Federal Funds *(Dept. Homeland Security Grants)*					
Total *	338	338	338	338	338
FTE Positions**	1	1	1	1	1

* Subject to available funding, ADOA will seek federal grants from Homeland security for integrating the work of this project with the communications infrastructure of the first line responders.

Performance Measure:

	FY 2011 Target	FY 2012 Target	FY 2013 Target	FY 2014 Target	FY 2015 Target
Percentage of network redesign implemented	100	100	100	100	100

Strategy # 2 – Building Security Assessments

- **GSD has achieved the goal for Building Security Assessments for the 62 buildings within the Capitol Mall and the Tucson Complex. GSD has implemented the resulting critical recommendations to ensure the safety and security of employees, visitors and elected officials. GSD**, **Risk Management and the Capitol Police coordinate to evaluate and maintain security, health and safety issues in the ADOA building system.**

Performance Measure:

Performance Measure	FY 11 Target	FY 12 Target	FY 13 Target	FY 14 Target	FY 15 Target
Respond to emergency service calls within 3 hours of call 90% of the time	97%	98%	99%	99%	
Improve customer satisfaction based on the annual survey	7.5	7.6	7.65	7.65	
Replace outdated mechanical locksets with new high-security locksets	10 buildings	10 buildings	10 buildings	N/A	N/A
Old swipe card readers (by building) replaced with new proximity card readers to reduce malfunctions	N/A	N/A	N/A	N/A	N/A

Strategic Issue #5 – Safety and Security

Strategy # 3 – Capitol Police and Security Services to State agencies

Strategy Components:

- Provide security and police services to state agencies in the Capitol Mall area of Phoenix and the State office complex in Tucson.

Description: The members of the Capitol Police are the lowest paid law enforcement employees in the Phoenix Metropolitan area. Their salaries are 35%-50% lower than identical positions at other agencies yet they are responsible for protecting and serving the most important government center in the state. The Capitol Police will be unable to sustain its current level of quality service if this salary disparity problem is not addressed immediately. Salary disparity has been the main budget issue presented for the last several years without success.

Additionally, the Capitol Police is seeking full funding for 3 additional officers, 2 police assistants and a dispatcher specifically for the 2nd and 3rd shifts. If the additional staffing is not funded, the safety and security of the Capitol Mall could be compromised.

Capitol Police: Primary Mission – Law enforcement Duties

i. Capitol Police needs to implement a salary increase in order to attract and retain the highest quality employees possible.
ii. Funding for additional FTE's to meet minimum staffing levels is also needed.

Key Message:
*The annual crime report for **2006 Crime in Arizona** shows a crime clock for Arizona as follows:*
- *One major crime occurs every 1 minute 41 seconds.*
- *One violent rime every 16 minutes 57 seconds.*
- *One property crime every 1 minute 52 seconds.*
- *One theft every32 minutes 5 seconds*
- *One homicide every 18 hours 52 minutes.*
- *One arson every 4 hours 40 minutes.*
- *One stolen vehicle every 9 minutes 48 seconds.*
- *One burglary every 9 minutes 37 seconds.*
- *One robbery every 58 minutes49seconds.*
- *One forcible rape every45 hours 35 minutes.*

Resource Assumptions: (thousands)

	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate	FY 2015 Estimate
General Fund	$2,206	$2,206	$2,206	$2,206	$2,206
Other Appropriated Funds	$531	$531	$531	$531	$531
Other Non Appropriated Funds	$1,370	$1,370	$1,370	$1,370	$1,370
Federal Funds					
Total	$4,109	$4,109	$4,109	$4,109	$4,109
FTE	77	77	77	77	UNK

Performance Measures:

	FY 11 Target	FY12 Target	FY 13 Target	FY 14 Target	FY 15 Target
Reduction in reported crimes	2%	2%	2%	2%	2%
Improve customer satisfaction based on the annual survey	7.5	7.3	7.5	7.5	7.5